
PUBLIC ECONOMICS in Fall 2019 (EC3076)

Course Code	EC3076	Professor(s)	Shahram Alijani
Prerequisites	None	Office Number	Grenelle, G206
Class Schedule	TF: 16:55-18:15 in PL-3	Office Hours	T & F 12:30-13:30 & by appointment
Credits	4	Email	salijani@aup.edu
Semester	Fall 2019	Office Tel. Ext.	567

Course Description

This course provides an introduction to public economics and the pivotal role of the government in the economy. The course begins with the presentation of the analytical tools used in public economics and the rationale for public intervention in response to market conditions; the need for government to provide public goods and to deal with externalities while maintaining an efficacious social safety net, promoting equality and social justice. The course proceeds further by highlighting a number of policy areas and issues which are of paramount importance to policy makers and national economic such as safeguarding social security and insurance, reducing poverty through social and economic inclusion, improving the income redistribution pattern through alternative efficient tax schemes. Political economy topics and issues will be examined in conjunction with the welfare imperative within different national contexts (ex. USA, France, Germany, Nordic countries). A special emphasis will be placed on the efficiency effects of taxation and raising public revenues, government expenditures and debt policy. The course will conclude with a discussion of selected topics such as public goods, externalities, social justice, inclusion, empowerment, equality and the political economy of good government.

Course Learning Outcomes

Understand the nature of public goods and how they should be provided to all citizens,
Study the concept of externalities when making economic, social and political choices,
Assess and understand the role of government in areas such as health care, social security, poverty alleviation, and income redistribution, social justice and inclusion,
Understand how the government raises revenues through taxation to finance public expenditures and how different forms of taxation affect individual decision-making.
Understand areas of research in public economics, political agency, public goods, the commons, fiscal federalism and fiscal responsibility
Understand how the government responds to externalities and welfare imperative through taxation and public policy,
Master mathematical and algebraic applications used to demonstrate utility maximization,

individual and government preferences, budget constraint, indifference curves and social efficiency and welfare

General Education

Course Outline

WORKSHOPS:

Students are required to participate in three workshops designed around the main topics, case studies and policy applications discussed in class. Workshop provide a forum for discussing individual and/or group projects and assignments and preparing students for midterm and final examinations.

COURSE OUTLINE:

Week 1 Starting September 2

Introduction to Public Economics

- The four questions of public finance
- Study of public finance and policy debates

- **Readings:**

§ J. Gruber, chapter 1

Week 2 Starting September 9

Theoretical Tools of Public Finance

- Constrained utility maximization
- Preferences and indifference curves

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- Social welfare and the effect of TANF on budget constraint (Temporary Assistance for Needy Families)

- **Readings:**

- J. Gruber, chapter 2, Class handout 1

Week 3 Starting September 16

Empirical Tools of Public Finance, Budget Analysis and Deficit Financing

- Correlation and causality, randomized trials and time series analysis
- Government budgeting
- Long-run government budgets and alternative approaches

- **Readings:**

- J. Gruber, chapters 3, 4, Class handout 2

Week 4 starting September 23

Externalities

- Externalities theory: negative externalities and remedies
- Externalities in action: global warming, acid rain, addiction and smoking

- **Readings:**

- J. Gruber, chapters 5, 6, Class handout 3

Week 5 starting September 30

Public Goods

- Optimal provision of public goods
- Private versus public provision of public goods
- The mathematics of public goods provision: a game theoretic approach

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- **Readings:**
 - J. Gruber, chapter 7, Class handout 4

Workshop 1: Analyzing and measuring public policy empirical, analytical dimensions & public goods. Study of selected cases and applications. Individual projects presentation and discussion

Week 6 Starting October 7

Cost-Benefit Analysis and Political Economy

- Measuring cost and benefits of public projects and i
- Aggregating Individual Preferences
- Public Choice Theory

- **Readings:**
- J. Gruber, chapters 8 and 9, Class handout 5

Week 7 Starting October 14

State and Local Government Expenditures

- Fiscal federalism
- Redistribution dilemmas, mechanisms and tools

- **Readings:**
- J. Gruber, chapter 10, Class handout 6
- ***Mid-term Examination / Assignment***

Week 8 starting October 21

Public Expenditures: Examples of Social Insurance and Education

- Education: public school and crowding out and insurance markets
- Social insurance: asymmetric information and externalities

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- Moral Hazard and its dimensions
 - **Readings:**
 - J. Gruber, chapters 11, 12, Class handout 7
 - ***Take-home assignment***

Week 9 starting October 28

Social Security

- Rationale for social security, taxes and retirement
 - **Readings:**

§ J. Gruber, chapter 13, Class handout 8

Ø ***No class on Friday November 1st***

Week 10 starting November 4

Workers' Compensation, Health Insurance

- Institutional features of insurance, unemployment, disability, workers' compensation
- Private versus public insurance
- Medicare and Medicaid examples

§ Readings:

§ Class handout 14, 15, 16, Class handout 9

§ ***Workshop 2: Social security, unemployment & retirement policy in OECD countries & applications***

Week 11 Starting November 11

Income Distribution and Welfare Programs

- Welfare policy and reform

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- Income inequality

- **Readings:**

- Chapter 17, Class handout 10

Ø **No class on Friday November 1st**

Week 12 Starting November 18

Taxation

- Taxes on earnings, tax rates and bases
- Tax incidence in different market structures (ex. Imperfectly competitive markets)
- Tax inefficiencies

§ **Readings:**

§ Chapters 18 & 19, 20 Class handout 11

Week 13 starting November 25

More on Taxation: Taxes on Labor Supply, Savings and Corporation Taxation

- Basic theory, EITC
- Precautionary savings, retirement
 - **Readings:**
 - Chapters 21, 22, 23 Class handout 12

Ø **Workshop 3: Taxation in the US and Selected OECD Countries.**

Ø **Discussion of final group projects**

Week 14 starting December 2:

More on Taxation

- Tax reform, tax evasion and efficiency

- **Readings:**
- Chapters 24, 25

Ø ***Final presentations***

Week 15 starting December 9:

Ø ***Concluding remarks & final project discussion***

Final Exam Period: December 12 through 18.

Textbooks

This course doesn't have any textbook.

Attendance Policy

Students studying at The American University of Paris are expected to attend ALL scheduled classes, and in case of absence, should contact their professors to explain the situation. It is the student's responsibility to be aware of any specific attendance policy that a faculty member might have set in the course syllabus. The French Department, for example, has its own attendance policy, and students are responsible for compliance. Academic Affairs will excuse an absence for students' participation in study trips related to their courses.

Attendance at all exams is mandatory.

IN ALL CASES OF MISSED COURSE MEETINGS, THE RESPONSIBILITY FOR COMMUNICATION WITH THE PROFESSOR, AND FOR ARRANGING TO MAKE UP MISSED WORK, RESTS SOLELY WITH THE STUDENT.

Whether an absence is excused or not is ALWAYS up to the discretion of the professor or the department. Unexcused absences can result in a low or failing participation grade. In the case of excessive absences, it is up to the professor or the department to decide if the student will

receive an “F” for the course. An instructor may recommend that a student withdraw, if absences have made it impossible to continue in the course at a satisfactory level.

Students must be mindful of this policy when making their travel arrangements, and especially during the Drop/Add and Exam Periods.

ENGLISH LANGUAGE PROFICIENCY STATEMENT: As an Anglophone university, The American University of Paris is strongly committed to effective English language mastery at the undergraduate level. Most courses require scholarly research and formal written and oral presentations in English, and AUP students are expected to strive to achieve excellence in these domains as part of their course work. To that end, professors include English proficiency among the criteria in student evaluation, often referring students to the university Writing Lab where they may obtain help on specific academic assignments. Proficiency in English is monitored at various points throughout the student's academic career, most notably during the admissions and advising processes, while the student is completing general education requirements, and during the accomplishment of degree program courses and senior theses.

Grading Policy

Participation and Individual Assignments	30%
Final Assignment (research project / article review)	15%
Midterm Assignment / Examination	20%
Final Assignment / Examination	35%

Other
